



Bridges over Feather River Canyon

Appeals

Property Taxes

The Members of the Board of Equalization hear appeals concerning the assessed values of state-assessed properties, private railroad cars, and taxable properties owned by local governments but located outside their boundaries. The Members also hear appeals of timber tax decisions and welfare exemption claim denials. While disputes may be resolved through discussion with staff, the Board Members make the ultimate decision on all property tax appeals. All decisions are final.

In 2003-04, taxpayers filed 116 property tax appeals with the Board:

- 107 petitions from state-assessed public utilities.
- 4 applications for review, equalization, and adjustment for local government properties.
- 3 petitions from private railroad car companies.
- 2 welfare exemption claims.

Sales & Use Taxes and Special Taxes & Fees

Taxpayers who disagree with staff decisions regarding taxes or fees they owe may seek resolution through the Board's administrative appeals process. The process begins with filing a written appeal (petition for redetermination) and discussions with Board staff. The appeal may progress through a series of steps to a hearing before the Board Members.

Petitions for redetermination filed this year included

- 1,534 sales and use tax appeals
- 495 special taxes appeals

A taxpayer whose appeal is denied by the Board may file a timely claim for refund. If the Board denies the claim, the taxpayer may file a refund action in superior court.

The agency offers a settlement program for certain tax and fee disputes. In 2003-04, staff settled 122 sales and use tax cases for a total settlement amount of \$11.22 million. The Board approved ten special taxes or fee settlements for a total settlement amount of \$1.32 million.

The agency also has an offer in compromise program for closed businesses that cannot pay the full tax or fee amounts they owe.

Franchise and Personal Income Taxes

The elected Board Members serve as the administrative appeal body over final actions by the California Franchise Tax Board (FTB). In that capacity, the Board Members interpret and apply the state's franchise and income tax laws. The Members hear appeals filed under the

- Bank and Corporation Tax Law
- Personal Income Tax Law
- Homeowner and Renter Property Tax Assistance Law
- Taxpayers' Bill of Rights Law

If a taxpayer disagrees with a determination by the FTB, the taxpayer may appeal that determination to the Board of Equalization. The Board's Appeals Section evaluates the issues of law and fact for each appeal based on the information provided by each party. The Board Members review the staff evaluation and any additional information found in the written record or provided at a hearing and make a final determination. If the Board denies a taxpayer's appeal, the taxpayer may file a refund action in superior court.



Covered Bridge, Bridgeport

While any taxpayer dissatisfied with a final action of the Franchise Tax Board may file an appeal with the Board of Equalization, taxpayers who have paid their tax liability may choose instead to file an action in superior court. Consequently, the appeal figures in the following sections do not necessarily reflect the total number of California taxpayers who disputed a final action by the FTB in 2003-04.

Franchise and Personal Income Taxes

In 2003-04, the Board received 815 appeals filed under the Bank and Corporation Tax Law and the Personal Income Tax Law. The Board issued 452 decisions, considering 116 of the cases at oral hearings and deciding the remaining appeals based upon a review of the written record. Sixty-four of the appeals were petitions for rehearing.

Homeowner and Renter Assistance

In 2003-04, the Board received 2,602 homeowner and renter property tax assistance appeals. The Board dismissed 545 appeals because the FTB paid the appellants' claims in full or in part, or because the appellants agreed with the FTB that they were not entitled to the assistance. The Board issued 235 decisions, considering 13 of the cases at oral hearing and deciding the remainder based on review of the written record. Applicants filed 8 petitions for rehearing.

Significant Court Decisions

Allocation of Corporate Income and Credits

The return of principal from the investment of excess cash in marketable securities should be excluded from "gross receipts" in determining a corporation's California income. In addition, the unused portion of the research credit cannot be allocated to corporate entities in the unitary group that did not incur the expenses upon which the credit is based.

General Motors Corporation v. Franchise Tax Board (2004) 120 Cal.App.4th 114

Foreign Commerce

Neither the deduction limitation for foreign-source dividends in Revenue and Taxation Code section 24411, subdivision (a) nor California's water's-edge method of apportioning income unconstitutionally discriminate against foreign commerce. The level of deference given to an administrative agency's statutory and regulatory interpretations turns on the reviewing court's assessment of their merit, as well as on whether the interpretations are long standing and have remained uniform over time.

Fujitsu IT Holdings, Inc. v. Franchise Tax Board (2004) 120 Cal.App.4th 459